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2. Communist Purchase of Vessels

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Communications Repair, Kwangtung

1. The Kwangtung Government ordered Transportation Commissioner FENG Yen (馮 恩) to strengthen the load capacities of the Canton-Hankow railway and of highways in Kwangtung. Dilapidated roadbeds, bridges, and rails are to be replaced and all work completed by 15 July 1950. The action is caused by the tense international situation.

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Order of Battle, Canton Area

2. On 25 June MA Han-chang (馬漢章), Chief of Staff of the 15 Army Group, Pei-tu-chi-ssu (費杜奇斯) (? Peduchev), Soviet adviser of the 15 Army Group, and WEN Yu-cheng (溫玉成), Deputy Commander of the 44 Army, left Canton to inspect Paoan (113-56, 22-32), and, on 27 June, Huiyang (114-26, 23-05). They instructed Huiyang District Commander SSU Tu-chieh (司徒傑) to speed up suppression of Nationalist guerrillas on the Mانشan Islands in order to release Chinese Communist forces for an attack on Taiwan.
3. From 1 to 6 July, Chinese Communist military strength in the Paoan and Huiyang (114-26-23-05) areas increased from 40,000 to 55,000, mostly through the arrival of units of the 41 and 44 Armies. Approximately 30,000 are stationed in the Huiyang area; the remainder is in 8 villages in Paoan Hsien.
4. Troops of the 303 Division (sic) of the 41 Army stationed at Shihlung (113-51, 23-07), Chashan (113-54, 23-03) and Changping (114-02, 22-58) were ordered to be in Canton by 9 July. Three motor vessels were chartered at Shihlung to transport their heavy armament and supplies to Canton.

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Troop Movements, Hengyang Area

5. Between 3 and 6 July, units of the 40 and 46 armies left Canton by rail for Hengyang (112-35, 26-56).
6. On 4 July, one artillery regiment and 25 light tanks were at Hengyang awaiting rail transport.
7. About 60,000 troops are stationed along the Canton-Hankow railroad between Kukong and Hengyang, and could easily be moved into Indochina. An opinion current in Canton is that LIN Piao is sending troops to Kwangsi to support Ho Chi Minh's forces.

Communist Purchase of Vessels

8. During June, Communist purchasing agents bought all seagoing vessels for sale in Hong Kong, which included landing craft 80 tons and over. Some sales to the Communists were handled by British merchants. About 15 vessels were purchased. Negotiations continue in spite of the Korean situation.
9. Communist agents in Macao are negotiating the purchase of two corvettes of 970 tons in Canadian waters. The price is said to be US \$75,000.

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